

**SOUTH CAROLINA
COMMISSION FOR MINORITY AFFAIRS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 30, 2019

Dr. Delores Dacosta, Executive Director
and
Members of the Commission
South Carolina Commission for Minority Affairs
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission for Minority Affairs (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2018. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina Commission for Minority Affairs and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed-Upon Procedures Related to the South Carolina Commission for Minority Affairs (L46)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations in General Ledger (G/L) Account 4280070000 (Federal Grant – Unrestricted).

We found no exceptions as a result of these procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations in GL Account series 502- (Contractual Services) and 503- (Supplies and Materials) in the General Fund.
3. Randomly select twenty non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
4. Haphazardly select five purchasing card transactions from the Comptroller General's (CG) listing of purchasing card transactions fiscal year 2018 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Commission policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Findings

One selected disbursement transaction for lodging expenses that occurred in May 2017 was not paid until fiscal year 2018.

The Commission was unable to provide documentation to support mileage reimbursements paid to two non-state employees.

The Commission could not provide agency head approval to exceed the General Services Administration (GSA) rate for one employee's out-of-state overnight stay. The GSA rate was \$126/night; the Commission paid \$189/night.

Management's Response

Due to a combination of staff turn-over and a physical move of office locations, the documentation for the above-mentioned items could not be located. The current Director of the Commission was not in her role at the time of the disbursements and has engaged the services of the Department of Administration's (the Department) Shared Services model to ensure compliance going forward. The Department has implemented processes to maintain supporting documentation to include scanning documentation into SCEIS to support expenditures and rules or regulations.

Payroll

5. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
6. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
7. Haphazardly select two employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
8. Haphazardly select two employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
9. Haphazardly select two bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Payment agreed to supporting documentation.
 - Bonus pay was approved by the appropriate supervisor.

Payroll (Continued)

Findings

During our comparison of percent changes in personal service expenditures to the percent changes in employer contributions from 2018 and 2017, we observed a decrease in employer contributions recorded in the earmarked fund even though personal services increased. Upon further inspection we determined the Commission received a credit of \$4,855 from the Public Employee Benefit Authority (PEBA) in accordance with Proviso 117.151 to offset an increase in the employer contribution rate in fiscal year 2018. The Commission posted the entire credit amount to the earmarked fund instead of allocating it equitably among all funds.

One employee who terminated employment during the fiscal year was not removed from the SCEIS payroll system in a timely manner.

Management's Response

We agree with the above findings. The current Director of the Commission was not in her role at the time of the findings and has engaged the services of the Department of Administration's (the Department) Shared Services model to ensure compliance going forward. The Department has implemented processes to allocate these types of refunds or payments. They will be allocated pro-ratably going forward, based on payroll expenditures.

The Department will forward, immediately, all termination paperwork to the Department of Administration – Human Resources, to ensure timely termination of employees.

Journal Entries and Transfers

10. Haphazardly select four journal entries and transfers for the fiscal year to:

- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
- Confirm transaction is properly approved.
- Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of these procedures.

Reporting Packages

11. Obtain copies of fiscal year end reporting packages submitted to the CG's Office. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

12. In addition to the procedure above, perform the following:

- Grants and Contributions Revenue Reporting Package

Select both grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Commission prepared records. In addition, haphazardly select three payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

Finding

The Commission submitted one reporting package one business day after the CG's established due date.

Management's Response

Due to staff turn-over the reporting package was submitted late due to oversight. The current Director of the Commission was not in her role at the time and has engaged the services of the Department of Administration's Shared Services model to ensure compliance going forward. The Department of Administration will be responsible for the timely submission of all reporting packages.

Governance, Risk and Compliance (GRC) SCEIS Module

13. Select all (four) controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of these procedures.

Appropriation Act

14. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
15. Confirm compliance with the selected agreed-upon Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

Minutes

16. Inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters relating to our procedures.

Status of Prior Findings

17. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of these procedures.